

## Message Text

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AMCONSUL DHAHRAN

S E C R E T SECTION 1 OF 2 JIDDA 5438

E.O. 11652: GDS

TAGS: OREP (MANSFIELD, MIKE), SA, US, PFOR, MASS, MARR, XF, PINT

SUBJECT: POSITION OF SAUDI ARABIA AND ITS RELATIONS WITH THE UNITED STATES (IV OF IV)

REF: A. STATE 179925# B. STATE 179990

SUMMARY: SINCE THE 1973 ARAB-ISRAELI WAR, SAUDI ARABIA (SAG) HAS EMERGED AS A NEW IMPORTANT POWER IN THE MIDDLE EAST, AND A HIGHLY IMPORTANT FACTOR IN U.S. POLICY TOWARD THE AREA. THE SAG'S INFLUENCE DERIVES FROM ITS VAST PETROLEUM RESERVES AND ITS MONETARY POWER. IT HAS MADE IT CLEAR THAT IT WISHES TO USE THIS INFLUENCE TO HELP MODERATES IN THE AREA, AND TO SUPPORT A PEACEFUL, NEGOTIATED SETTLEMENT TO THE ARAB-ISRAELI CONFLICT. ITS ECONOMIC POWER IS SHORED UP BY A STABLE, STRONG LEADERSHIP THAT IS BECOMING INCREASINGLY SELF-CONFIDENT AND EVEN NATIONALISTIC. THE SAG'S LEADERS WANT PARTICULARLY TO DEVELOP CLOSER COOPERATION WITH THE U.S. ON ECONOMIC AND MILITARY MATTERS DESIPTE THE ENERGETIC WOOING OF WESTERN EUROPEAN NATIONS AND JAPAN. THEY WANT HOWEVER TO BE TREATED AS EQUALS, AND ARE WORRIED THAT CONGRESS'S TREATMENT OF JORDAN AND TURKEY SUGGESTS THE UNITED STATES CANNOT BE FELIED ON FOR SUPPORT OVER THE LONG RUN.

END SUMMARY.

I. SAUDI ARABIA: A NEW REGIONAL LEADER

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1. SINCE THE 1973 ARAB/ISRAELI WAR, BOTH REGIONAL POWER

AND THE INTERESTS OF THE UNITED STATES IN THE MIDDLE EAST HAVE SHIFTED SOUTHWARD TO THE ARABIAN PENINSULA. THE ARAB NATIONS OF THE FERTILE CRESCENT, HISTORICALLY THE MIDDLE EAST HEARTLAND, NOW CONSTITUTE THE NORTHERN MARCHES OF A NEW LOCUS OF WEALTH AND POWER WHICH CENTERS UPON THE KINGDOM OF SAUDI ARABIA. THIRTY YEARS AGO SAUDI ARABIA WAS A STAGNANT BACKWATER HAVING NO REGIONAL INFLUENCE, AND WAS KNOWN IN THE U.S. ONLY TO A HANDFUL OF OILMEN AND ORIENTALISTS. TODAY, 20,000 AMERICANS RESIDE IN THE KINGDOM; IT IS DEFERRED TO BY ARAB, MUSLIM, AND THIRD-WORLD NATIONS; AND WE BELIEVE IT CAN BE A STRONG REGIONAL PARTNER OF THE U.S.

## II. SAUDI ECONOMIC POWER

2. SAUDI ARABIA HAS BECOME IMPORTANT TO THE UNITED STATES IN A WAY THAT NO OTHER ARAB COUNTRY HAS BEEN OR IS LIKELY TO BECOME. ALTHOUGH WE CAN TOLERATE NO RELATIONS WITH IRAQ VERY NICELY AND COULD AGAIN SUFFER BAD RELATIONS--SHORT OF A MIDDLE EAST WAR--WITH EGYPT AND SYRIA, WE CANNOT AFFORD BAD RELATIONS WITH SAUDI ARABIA. THE ECONOMIC BASIS OF SAUDI ARABIA'S STRENGTH IS OIL: SITTING ATOP ALMOST 50 PERCENT OF THE WORLD'S KNOWN AND MOST EASILY RETRIEVABLE PETROLEUM RESERVES, IT NOW PRODUCES ABOUT SIX MILLION BARRELS OF OIL PER DAY (B/D). CURRENT PRODUCTIVE CAPACITY IS OVER 11 MILLION B/D; AND PRODUCTION OF 20 MILLION B/D BY 1980 IS ENTIRELY FEASIBLE. TECHNICAL ABILITY TO PRODUCE, HOWEVER, DOES NOT NECESSARILY SQUARE WITH POLITICAL NEED TO DO SO. THUS SAUDI ARABIA ONLY NEEDS TO PRODUCE 3.5 MILLION B/D TO FINANCE ITS AMBITIOUS DEVELOPMENT PLANS AND ITS OPERATING EXPENSES. FUTURE PRODUCTION ABOVE THIS LEVEL THAT THEIR OWN STAKE IN THE WELL-BEING OF FREE-WORLD CONSUMERS OVERRIDES MORE PAROCHICAL ECONOMIC FACTORS. IF THIS DECISION CONTINUES TO HOLD FIRM, WE CAN EXPECT THE SAG TO PRODUCE THE OIL WE AND OUR ALLIES WILL NEED AT TOLERABLE PRICES AND TO INVEST ITS HUGE YEARLY FINANCIAL SURPLUSES--GROWING BY 12-15 BILLION DOLLARS PER ANNUM--LARGELY IN THE UNITED STATES. (IN 1974 THE TOTAL U.S. CIVILIAN SECTOR EXPORTS TO SAUDI ARABIA WELL EXCEEDED A BILLION DOLLARS).

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3. THE ELASTICITY OF THE SAG'S PRODUCTIVE CAPACITY ENABLES IT TO DETERMINE WORLD OIL PRICES. SAUDIS BELIEVE THEIR OIL SHOULD SELL AT ROUGHLY THE COST OF ALTERNATIVE SOURCES OF ENERGY; BUT THEY HAVE MODERATED UPWARD PRESSURE ON PRICES BY SOME OPEC PARTNERS, NOTABLY IRAN. THEY HAVE EVEN SAID THAT THEY WILL COOPERATE WITH US ON LOWERING PRICES IF WE CAN BRING IRAN ALONG. SAUDI ARABIA WILL NOT,

HOWEVER, "GO IT ALONE," NOR WILL IT USE ITS PRODUCTIVE CAPACITY TO "BREAK" OPEC. IF ANOTHER ARAB-ISRAELI WAR SHOULD BREAK OUT, MOREOVER, AND OUR POSITION WAS REGARDED AS OVERTLY HOSTILE TO THE ARABS, IT IS ALMOST CERTAIN SAG WOULD REIMPOSE AN OIL BOYCOTT ON OIL EXPORTS TO THE UNITED STATES.

### III. SAUDI POLITICAL INFLUENCE

4. THE MODERATING SAUDI INFLUENCE ON THE POLICIES OF OTHER ARAB COUNTRIES IS SIGNIFICANT. TWENTY YEARS OF MARXISM HAVE ERODED THE MORAL AUTHORITY AND REDUCED THE MOMENTUM OF RAIDCAL REGIMES; BY CONTRAST, THE POLITICAL AND ECONOMIC LIFE OF SAUDI ARABIA APPEARS MORE AND MORE REWARDING. AND AS SAUDI INFLUENCE AND RESPECTABILITY RISE IN ARAB CAPITALS--A PHENOMENON STIMULATED BY EXPENDITURES OF ABOUT THREE BILLION DOLLARS A YEAR IN FOREIGN AID--THE INFLUENCE OF THE SOVIETS AND ARAB RADICALS DECLINES.

5. BECAUSE OF SAUDI ARABIA'S POWERFUL LEVERAGE ON EGYPT AND SYRIA IN PARTICULAR, THE U.S. VALUES ITS SUPPORT FOR U.S. MIDDLE EAST PEACE EFFORTS. RECENT STATES BY SAUDI LEADERS, HAVE MADE CLEAR THEIR ACCEPTANCE OF ISRAEL WITHIN ITS PRE-1967 BORDERS. ONLY IN THE CASE OF JERUSALEM IS THERE DEEP SAUDI EMOTIONAL INVOLVEMENT, THOUGH EVEN THIS SEEMS TO HAVE MODERATED SINCE THE DEATH OF FAISAL. SAUDI SUPPORT FOR THE PALESTINIAN CAUSE, THOUGH REAL, IS VERY CAREFULLY LIMITED; SAUDI ARABIA IS UNLIKELY TO QUIBBLE OVER ANY SETTLEMENT OF THE PALESTINE QUESTION ACCEPTABLE TO EGYPT, SYRIA AND JORDAN. BASICALLY, THE SAG WANTS THE PALESTINIAN PEOPLE ON THE SAME MODERATE NATIONALIST TRACK THAT IT SEEKS FOR ALL OTHER ARABS.

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NOTE BY OC/T: #AS RECEIVED.

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#### IV. SAUDI POLITICAL STABILITY

6. SAUDI ARABIA HAS BEEN A NOTABLY STABLE MIDDLE EASTERN COUNTRY. THERE HAS NOT BEEN AN EXTRALEGAL SHIFT OF POWER SINCE THE KINGDOM'S INCEPTION IN 1929; A SMOOTH SUCCESSION FOLLOWED KING FAISAL'S ASSASSINATION (BY AN UNBALANCED RELATIVE) IN MARCH 1975. THE NEW LEADERSHIP INCLUDES SOME IMPRESSIVELY ABLE MEN (CROWN PRINCE FAHD, MINISTER FOR PETROLEUM YAMANI, MINISTER FOR PLANNING HISHAM NAZER) AND APPEARS MORE SELF-CONFIDENT, PRAGMATIC, AND MORE AWARE OF SAUDI ARABIA'S DISTINCTLY NATIONAL INTERESTS THAN THE REGIME OF KING FAISAL WAS.

7. THE SAUDI RULING ESTABLISHMENT IS UNIQUE; IT CONSISTS OF A VERY NUMEROUS ROYAL FAMILY (PERHAPS 3,500 MALE MEMBERS) WITH MANY COLLATERAL BRANCHES AND FAMILIES WHICH PERMEATE ALL OF SAUDI SOCIETY. THE GOVERNMENT IS THEORETICALLY ABSOLUTIST; IN FACT IT GOVERNS LARGELY BY CONSENSUS AND THE GRADITIONAL ACCESSIBILITY OF THE LEADERSHIP HAS KEPT IT ATTUNED TO THE THINKING OF THE GOVERNED. THE LEADERSHIP HAS SHOWN THE WILL AND ABILITY TO KEEP AHEAD OF POPULAR EXPECTATIONS. A PROOF OF THIS IS THE EXTREMELY AMBITIOUS \$140 BILLION FIVE-YEAR PLAN UNVEILED IN JUNE OF THIS YEAR. AS FOR THE GOVERNED, THERE IS GENERAL ACCEPTANCE OF THE PRESENT FORM OF GOVERNMENT AND SATISFACTION WITH ITS PERFORMANCE. (THE BENEFITS OF THE SAG'S LARGE PUBLIC SECTOR SPENDING--THE 1975 BUDGET AMOUNTS TO 31.5 BILLION DOLLARS--REACH ALL STRATA OF  
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SAUDI SOCIETY.) PROSPECTS FOR CONTINUED STABILITY THUS ARE EXCELLENT, IF THE MIDDLE EAST CONFLICT--A CONSTANT STIMULUS TO THE RADICALS--IS CONTAINED.

8. SAUDI ARABIA IS HOWEVER AWARE THAT IT IS RICH, BIG (ALMOST 700,000 SQUARE MILES) HAS A SMALL POPULATION (ONLY ABOUT FOUR MILLION SAUDIS), AND FACES RADICAL THREATS ON ITS PERI-

PHERY FROM IRAQ, OMAN AND THE PEOPLE'S REPUBLIC OF YEMEN. IT IS TRYING WITH U.S. ASSISTANCE TO STRENGTHEN ITS ARMED FORCES (ABOUT 35,000 MEN) AND NATIONAL GUARD (ABOUT SAME) WITH AN EMPHASIS ON MOBILITY AND FIREPOWER. SAUDIS HAVE ALSO BEEN CONCERNED ABOUT OCCASIONAL ISRAELI OVER-FLIGHTS OF THEIR NORTH-WEST BORDERS, BUT THE PRIMARY BENT OF THEIR SECURITY CONSCIOUSNESS HAS BEEN SOUTH AND NORTH-EAST.

#### PROSPECTS FOR U.S.- SAUDI RELATIONS

9. AS INDICATED ABOVE, THE PROSPECTS ARE GOOD THAT U.S.- SAUDI RELATIONS MAY IMPROVE TO OUR MUTUAL ADVANTAGE. SAUDIS LIKE AMERICANS. THEY HAVE NO COLONIAL PAST TO GIVE THEM A COMPLEX IN THEIR DEALINGS WITH THE WEST, AND WITH THE ARRIVAL AND EXPANSION FIRST OF ARAMCO AND THEN OF A U.S. OFFICIAL PRESENCE, RELATIONS DEVELOPED IN AN ATMOSPHERE OF MUTUAL TRUST. THE RESULTING GOOD RELATIONSHIP HAS GIVEN THE KINGDOM'S LEADERSHIP AND BUSINESS COMMUNITY A PREDILECTION FOR DEALING AMERICA AND AMERICANS (SOME 2000 SAUDIS ARE PURSUING HIGHER STUDIES IN THE UNITED STATES AND VIRTUALLY ALL COME BACK).

10. IN 1974 SECRETARY OF STATE KISSINGER AND CROWN PRINCE FAHD BIN ABD AL-AZIZ CONCLUDED AN AGREEMENT WHEREBY THE UNITED STATES WOULD ENJOY A PREFERENTIAL POSITION IN SAUDI ARABIA'S ECONOMIC AND MILITARY DEVELOPMENT. IN FEBRUARY 1975 A TECHNICAL COOPERATION AGREEMENT WAS SIGNED BETWEEN THE TWO NATIONS, AND BY THE END OF THIS YEAR THERE MAY BE AS MANY AS 50 OR A HUNDRED U.S. EXPERTS (FULLY REIMBURSED) PROVIDING SERVICES TO THE SAG IN HOUSING, STANDARDS, HIGHER AND VOCATIONAL EDUCATION, ELECTRIFICATION AND OTHER FIELDS.

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11. THE SAUDIS WANT TO CONTINUE TO WORK CLOSELY ON ECONOMIC, POLITICAL AND MILITARY MATTERS WITH US IF POSSIBLE. THERE IS NO LONGER HOWEVER A SENSE OF SOLE DEPENDENCE ON THE U.S. THE KINGDOM'S WEALTH HAS BROUGHT A PLETHORA OF SUITORS EAGER TO ASSUME THE PRESENTLY DOMINANT U.S. ROLE IN THESE SECTORS. THE RECENT DEVELOPMENTS IN TURKEY AND JORDAN HAVE PUZZLED (AND EVEN AMAZED) THE CURRENT LEADERS. THEY HAVE LET US KNOW EMPHATICALLY THAT THEY ARE DISTURBED BY OUR TREATMENT OF SUCH COMMON FRIENDS. THEY WONDER ALOUD WHETHER THE U.S. IS A RELIABLE PARTNER WITH WHICH TO MAINTAIN IMPORTANT POLITICAL-MILITARY RELATIONS. THEY RESENT AS DANGEROUS POLITICAL WHIMSY THE ACTIVITIES OF SENATOR CHURCH'S COMMITTEE AND CONSIDER CONGRESSIONAL POLICY ON ARMS FOR THE MIDDLE EAST TO BE DETERMINED BY A ZIONIST

LOBBY. ABOVE ALL, THE SAUDIS NOW WISH TO APPROACH US ON A FOOTING OF EQUALITY. IF THE POTENTIAL ADVANTAGES IN THIS RELATIONSHIP ARE TO BE REALIZED, THEY EXPECT THE U.S. TO MEET THEM HALF WAY.

12. THE SENATOR WILL RECEIVE MANY QUESTIONS ON THE CONSTANCY OF THE U.S. ANYTHING HE CAN SAY TO REASSURE THEM OF OUR LONG-TERM INTEREST IN GOOD U.S.-SAUDI RELATIONS WILL BE USEFUL.  
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## Message Attributes

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